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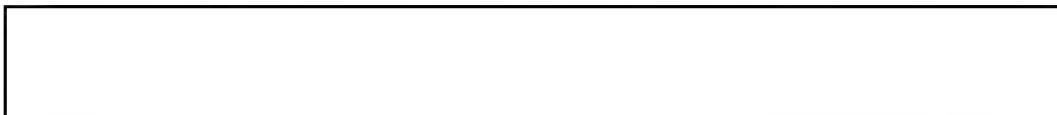
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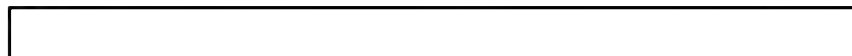
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Cambodia: Phnom Penh has intensified its effort in recent weeks to get its delegation seated at the Lusaka conference of nonaligned states which opens in early September.

The Cambodians, failing this, want to ensure that a majority of the countries represented will opt to seat neither the Sihanouk nor the Lon Nol delegation. Six teams organized by the Cambodian Committee of Intellectuals have thus far been sent to a number of African and Caribbean countries to plead the government's case.

Pro-Sihanouk forces are also maneuvering to gain representation at Lusaka, although there are conflicting reports as to who will head the delegation.

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At this point, neither claimant seems to have sufficient support to win a seat, and a large number of prospective participants in the conference favor seating neither.

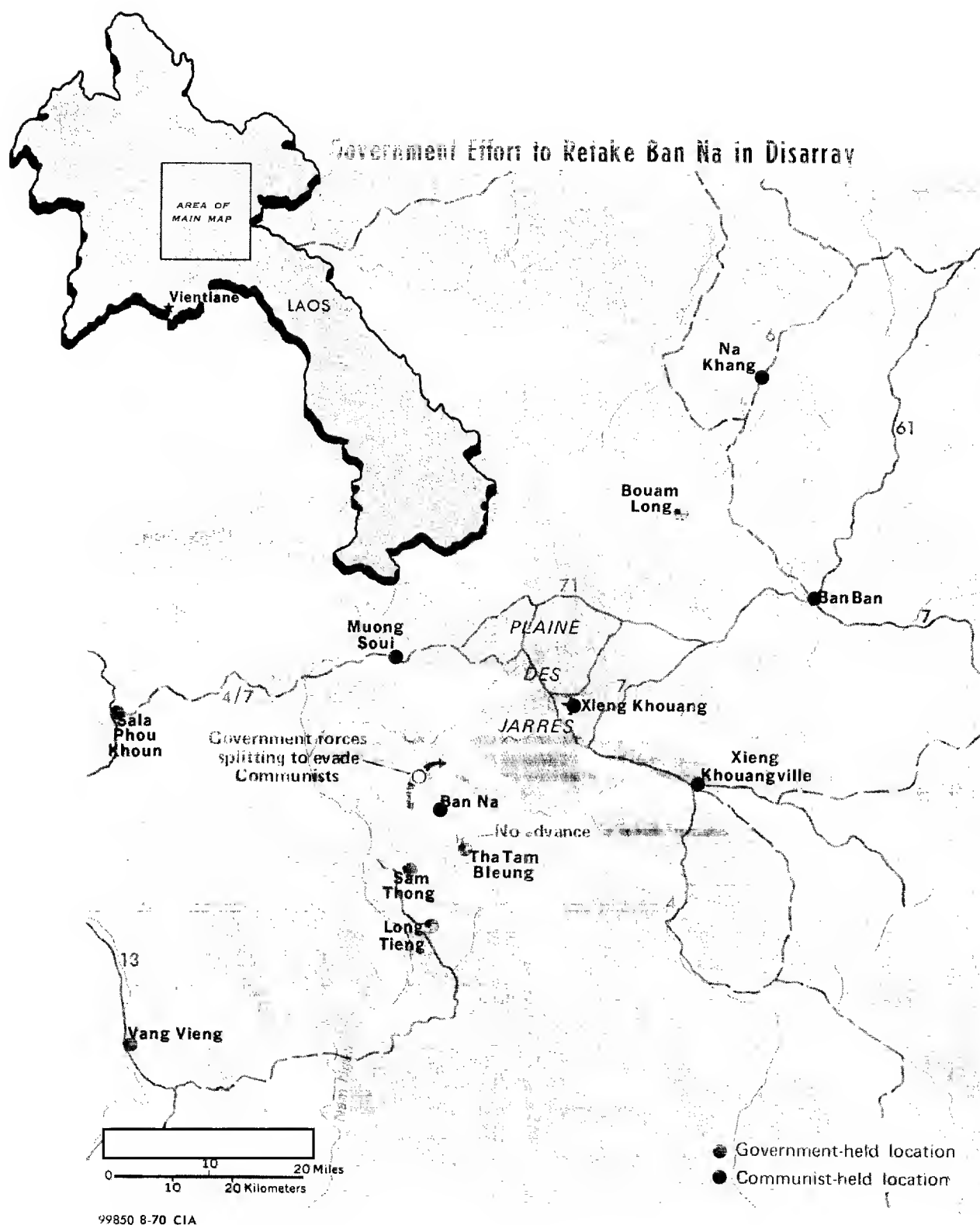
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Phnom Penh has fired off its second protest note within the week to Saigon complaining about the behavior of South Vietnamese Army (ARVN) troops in Cambodia. According to the US Embassy in Phnom Penh, the note, dated 28 August, concerns ARVN looting and destruction of personal property in Kompong Cham Province.

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Laos: The ambitious government effort to seize Ban Na seems to be getting nowhere.

For the past ten days, elements of the North Vietnamese 174th Regiment have been hitting hard at the battalion of irregulars that was lifted by helicopter on 18 August to positions behind enemy lines about five miles north of Ban Na. The government unit is now reported to have split its forces to evade concentrated heavy weapons fire, and the separate elements are proceeding north and south to new locations. An operation intended to relieve the isolated troops by mounting an additional drive on Ban Na from the south has failed to make any headway.

Unless there is some abrupt change in the tactical situation, the Communists appear to have succeeded in turning back the government's latest attempt to establish defensive positions closer to the Plaine des Jarres.

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USSR: Soviet party chief Brezhnev gave his strong personal endorsement to the Soviet - West German treaty and the Middle East cease-fire in a speech yesterday in Alma Ata.

Brezhnev's remarks yielded no substantive innovations. The speech rather seemed tailored to convey an attitude of self-confidence born of success. For the most part he avoided bombast and many of the usual propaganda incantations, and seemed intent on projecting for the USSR a business-like posture and a propensity for conciliation with both West and East.

Relations with West Germany were singled out for special attention. Brezhnev praised the treaty with Bonn as a "serious contribution" toward easing tension in Europe; he gave words of high praise to Bonn's "realistic approach" in recognizing the "political realities of present-day Europe." He cautioned, however, that the opportunities created by the treaty can be fully realized only after its ratification.

Brezhnev went out of his way to refute "imperialist fabrications" that allege Moscow signed the pact with the West Germans in order to free its hands for increasing pressure on Communist China. Brezhnev's renewed appeal for "normalization" of Sino-Soviet relations reflects the recent Soviet tactic of appearing restrained on the China problem. He acknowledged that the border talks in Peking are "going slowly," but he pledged a "constructive and patient approach" on Moscow's part and called on the Chinese to respond in kind.

On the Middle East, Brezhnev voiced Moscow's "positive" view of recent developments, and criticized all those who have resisted the recent "small step toward peace." He called once again for total Israeli withdrawal from occupied territories, but balanced this by expressing Soviet support for ensuring the national rights of all states in the area.

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West Germany - USSR: Bonn will discuss possible German participation in the construction of the Kama truck plant when Economics Minister Schiller visits Moscow next month.

Despite widespread press speculation about a pending deal, Finance Minister Moeller confirmed that no decision has yet been made, although the project is under discussion by the responsible ministries. The Soviets reportedly will ask the German automotive firm Daimler-Benz to coordinate a consortium of European producers that could supply technical advice, licenses, and some of the financing for free world equipment.

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[REDACTED]

The Soviets so far have had no success in getting Ford and Chrysler, as well as the principal truck producers in Western Europe and Japan, to assist in the Kama project. Soviet offers have not been attractive because the project is too big for any single firm to handle, and because long-term credits of up to \$500 million would be required.

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Guatemala: The Guatemalans are intent on upgrading their air force by acquiring modern jet fighters.

Air Force Commander Fuentes told US officials that Guatemala currently is negotiating for Mystere jet fighters from France because the US would not make available the A-37 tactical attack aircraft. Over the past several months the Guatemalans have raised the question of securing A-37s, which are relatively sophisticated for Central America, but have been repeatedly advised that T-33s, which are available, would better complement aircraft now in Guatemala's possession and would be safer and more economical.

The Guatemalan military is concerned over the military buildup in neighboring El Salvador and Honduras and fears that Guatemala has lost its traditional position of strength in the region. The Guatemalan military believes it has an arbiter's role in Central America, and is very distressed over what it views as a shift in military balance in the area.

If Guatemala concludes arrangements with France and purchases jet fighters there, the country would risk losing certain US aid because of penalties that would become applicable under the Symington Amendment. The Guatemalans probably hope that their rev-
elation of a purchasing mission in Europe might cause the US to reconsider the availability of the A-37s desired by the Guatemalan Air Force. The A-37s, or the French Mystere fighters, would provide the Guatemalan Air Force with planes superior to those of its neighbors, who have built up their military forces during the past year.

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Venezuela: Student violence is likely if the new university reform law is passed.

The bill is now before congress and may be passed before recess begins on 6 September. Opposition Democratic Action congressmen, whose support of the bill virtually assures its passage, have warned the US ambassador of a head-on collision between the government and university students in Caracas once the bill becomes law.

University reform has been a major objective of the Caldera administration. The new law is aimed at correcting administrative and financial inefficiency at the national universities, but the heart of the matter is the question of university autonomy. Leftist students fear the proposed law will weaken their power base; this indeed seems to be an intention of the bill.

In recent months the students have been generally quiet in hopes the bill would not be passed. Tension is close to the surface, however, as was demonstrated last week when students in Merida briefly held captive the visiting West German ambassador to protest the presence of three policemen on the university campus.

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Uruguay: Secondary school students supporting the Tupamaros are a new volatile element in already tense Montevideo.

On 26 August approximately 150 students attacked two radio stations and a newspaper building with molotov cocktails, injuring four persons. They left leaflets accusing the "fascist press" of selling out to the government dictatorship. Police believe the well-dressed youths were either members or sympathizers of the Tupamaros' support organization in secondary schools.

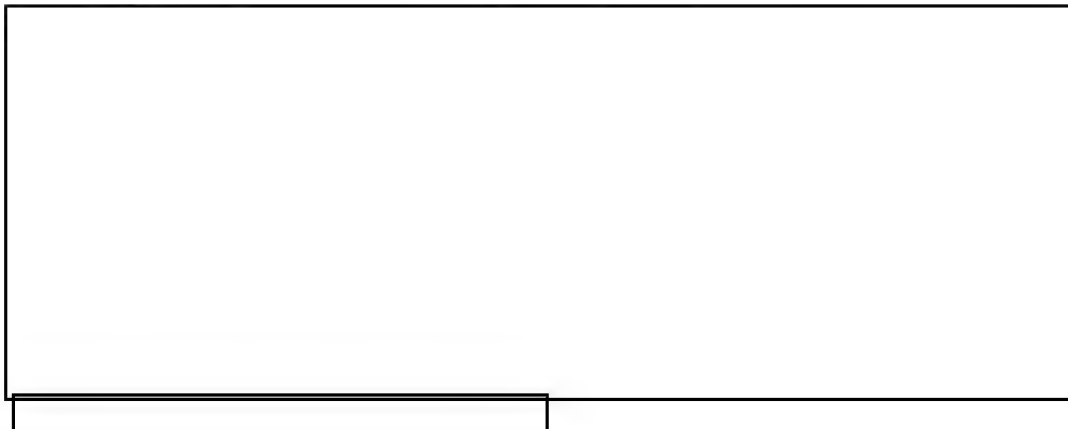
In an effort to halt the deterioration of Uruguay's public education system and to lessen the political influence of leftist- and Communist-dominated student and teacher organizations, the government last February took over the traditionally autonomous secondary and vocational schools. The measure does not appear to have been notably effective. Only six of Montevideo's public secondary schools opened on 25 August after the Independence Day holidays. Twelve others either were forced to close or were seriously disrupted by student demonstrations, often with substantial teacher support.

The authorities have been unsuccessful in attempting to discipline student activists. None of the participants in the recent bombings has been arrested despite the fact that the police possess emergency powers authorized by Congress.

The government's failure to maintain firm order in the secondary school system appears to be encouraging the radical minority of the students to increase the violence of their actions and their vocal sympathy for the Tupamaros.

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Ghana: The final step toward a return to civilian rule will be taken next week with the indirect election of a civilian president to replace the transitional army-police commission that was dissolved earlier this month. Former chief justice Akufo Addo, the choice of Prime Minister Busia, will probably be elected without significant opposition. Although the position is largely honorary, it carries with it some important appointive powers--including the naming of the chief justice. The prime minister presumably hopes the selection of Akufo Addo will strengthen his control of the government and increase his influence in the judiciary, with which he has been in conflict since assuming office last year. 

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USSR-Indonesia: Moscow has agreed to the settlement of Indonesia's \$800-million debt on 30-year terms similar to those accepted by Western creditors. The rescheduling reduces Indonesian debt payments to manageable proportions and will permit Djakarta to move ahead with planning for long-term economic development. Although neither country seems anxious to renew significant Soviet military and economic aid, the successful conclusion of the debt negotiations may lead to some token Soviet participation in development schemes. [REDACTED]

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USSR-Peru: Moscow, which canceled the airlift of relief supplies to Peru last week, has asked Iceland for landing rights for one additional flight on Monday. The Soviets indicated that other individual flights might also be made. There may be some need for urgent delivery of low-bulk medical supplies to maintain the medical aid effort. Soviet officials announced earlier that aid not delivered by the 21 flights completed out of the planned 65 would be shipped by sea. [REDACTED]

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Bolivia: Terrorist bombings rocked La Paz the night of 27 August. The bombings appear to have been carried out by a well-organized, technically competent organization whose objective may be to create panic among the urban population. Targets included the homes of US and Soviet diplomatic officials, private US businesses, and Bolivian Government installations. The only injuries were to policemen trying to defuse one of the dynamite time bombs. The increasing number of terrorist acts in La Paz could be connected to the current rural guerrilla operations and the accompanying high level of student unrest. [REDACTED]

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Italy: Prime Minister Emilio Colombo is moving quickly to control inflation and to increase business investment and production. The new economic measures, including provision for sizable new indirect taxes, are directed at easing the tight money policy that was followed over the past year. They will take effect immediately, but must be confirmed by parliament if they are to be permanent.

Colombo is also seeking to raise government revenue in order to reduce deficits. In addition, he hopes to make some response to organized labor's demands for social reforms. Meetings between government and labor leaders to discuss the schedule for reforms are planned for early September. Labor demonstrations favoring the reform program were a factor in the resignation of the Mariano Rumor government last July. [REDACTED]

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